

Judges' Retirement System Actuarial Valuation as of June 30, 2005

Establishing Recommended Contributions for the Fiscal Year July 1, 2006 through June 30, 2007

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April, 2006

Actuarial Certification

To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the actuarial funded condition of the Judges' Retirement System, as of June 30, 2005. Based on the employee data provided by the CalPERS Judges, Legislators and Volunteer Firefighters Office, the statement of assets provided by the CalPERS Fiscal Services Division, and the benefits as outlined in Appendix B, it is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles and that the assumptions and methods, as prescribed by the CalPERS Board of Administration, are reasonable for the System.

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Highlights and Executive Summary

Purpose of the Report

General Discussion

Projection of Annual Benefit Payouts

Actuarially Recommended Employer Contributions

Annual Required Contribution for the Employer According to GASB 27

Changes Since Prior Valuation

Report to the Legislature on the Extended Service Incentive Program

Comparison of Current and Prior Year Results

Purpose of the Report

This actuarial valuation of the Judges' Retirement System of the State of California was performed by CalPERS' staff actuaries as of June 30, 2005 in order to:

- establish actuarially recommended employer contribution for the System for the fiscal year July 1, 2006 through June 30, 2007, under two alternative funding patterns;
- set forth the actuarial assets and projected liabilities of the System as of June 30, 2005;
- provide actuarial information as of June 30, 2005, to the CalPERS Board of Administration and other interested parties; and,
- provide a report to the Legislature on the actuarial cost of the Extended Service Incentive Program benefits.

The use of this report for other purposes may be inappropriate.

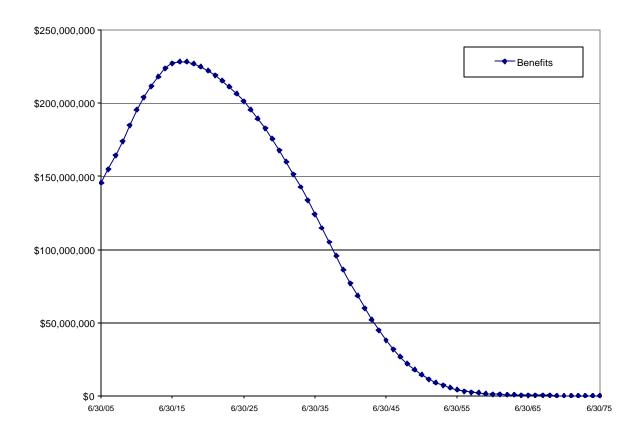
General Discussion

The Judges' Retirement System provides retirement and ancillary benefits to judges elected or appointed prior to November 9, 1994. The employer contribution rate for the System is set by State statute and equals eight percent (8%) of payroll. The member contribution rate is set by State statute and equals eight percent (8%) of payroll.

The State currently funds the System using a pay-as-you-go approach since the eight percent (8%) of payroll contributions made by both the State and members are not adequate to meet the System's current benefit payouts. The graph on the following page shows a projection of future benefit payouts from the System. Funding the System using the pay-as-you-go approach has certain implications for future State budgets and causes concern for the CalPERS Board on the ability of the System to meet its future benefit payout obligations. This concern is heightened as the System is a closed group, with a decreasing payroll base. No new members are permitted to enter the System after November 8, 1994.

The graph on the next page shows a projection of future benefit payouts from the System. Total benefit payments from the System are projected to increase from \$146 million during the 2005-2006 fiscal year to approximately \$228 million in 12 years as active members retire. This will result in significant increases in required contributions from the State to meet the future payout needs of the System.

Projection of Annual Benefit Payouts



As a result of this concern, the CalPERS Board has adopted a resolution which provides that the recommended contributions for the System be actuarially determined. The recommended employer contribution level is based on the economic assumptions adopted by the Board for the June 30, 2003 valuation, assuming the State was to commence prefunding the System as of fiscal year 2006-2007.

The report provides the State with two alternative funding patterns in making actuarially recommended contributions to the System. Alternative 1 develops a level dollar contribution amount over a period of thirty (30) years. The second alternative (Alternative 2) provides that the dollar contributions increase at one percent (1%) per year for a contribution period of thirty (30) years.

Appendix C shows a more detailed projection of expected statutory contributions, projected future benefit payouts and expected actuarially recommended contributions under the two alternative

funding patterns being proposed for consideration for the next ten (10) fiscal years beginning July 1, 2006.

Actuarially Recommended Employer Contributions

The actuarially recommended employer contributions for the two funding patterns (Alternative 1 and 2) for the fiscal year July 1, 2006 through June 30, 2007, are shown below for the Judges' Retirement System.

Actuarially Recommended

Funding Pattern

Alternative 1

Alternative 2

Actuarially Recommended

Contributions for Fiscal 2006-2007

\$200,115,730

\$181,160,445

Many other alternative contribution patterns exist, such as one that gradually increases contributions over the next five years and thereafter has contributions remain level (or slightly increasing) over the remaining 25 years. All such alternatives would result in substantially less cash contributions from the State over time when compared to the current pay-as-you-go approach.

For the prior year's valuation of the System, a contribution under the funding pattern for Alternative 1, was \$194,927,817.

Annual Required Contribution as Determined According to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

The employer's annual required contribution (ARC) for the System is determined as a level dollar basis over the average future service of the active members between the valuation and assumed exit dates under the aggregate actuarial cost method. The ARC for the fiscal year July 1, 2006 through June 30, 2007 is equal to \$560,879,874 as developed in Appendix D based on the actuarial assumptions set forth in Appendix A.

Changes Since Prior Valuation

<u>Actuarial Assumptions</u> – There were no changes in the actuarial assumptions since the prior valuation. A description of the actuarial assumptions used in the valuation may be found in Appendix A of this report.

<u>Actuarial Methods</u> – There were no changes in the actuarial funding methods since the prior valuation. A description of the actuarial methods used in the valuation may be found in Appendix A of this report.

<u>Plan Provisions</u> – There were no significant plan changes since the prior valuation. A description of the principal plan provisions may be found in Appendix B of this report.

The standard actuarial practice at CalPERS is to recognize benefit changes and salary changes in the first actuarial valuation following the effective date of those changes. This practice is allowed under Federal rules that apply only to non-public retirement plans and is common practice in the private sector.

Report to the Legislature on the Extended Service Incentive Program

The Extended Service Incentive Program (ESIP) was created to provide an incentive to judges who are eligible to receive the maximum retirement benefit to remain in public service. As part of the law change, which added ESIP to the Judges' Retirement System (System), the board was to conduct an actuarial valuation and determine the cost of the program and report the results to the Legislature. The costs of the ESIP benefits for fiscal year 2006/2007 that are to be reported to the Legislature are found in Appendix E.

Comparison of Current and Prior Year Results

Shown below is the comparison of key valuation results for the current, June 30, 2005, valuation date to the corresponding values from the prior valuation date.

	<u>-</u>	June 30, 2004	<u>J</u>	une 30, 2005
Members Included in the Valuation				
Active Members		888		815
Deferred Vested Terminated Members & QDRO's		113		101
Receiving Payments		<u>1,567</u>		<u>1,620</u>
Total		2,568		2,536
Covered Annual Payroll	\$	129,744,722	\$	123,666,717
Projected Covered Annual Payroll	\$	125,233,672	\$	118,381,436
Average Covered Annual Payroll	\$	146,109	\$	151,738
Average Attained Age for Actives		59.3		59.9
Present Value of Benefits at Valuation Date				
Actives, Deferred Vested Terminated Members & QDRO's	\$	1,164,502,373	\$1	,136,988,769
Receiving Benefits		1,297,402,150	<u>1</u>	.391,197,081
Total	\$:	2,461,904,523	\$2	2,528,185,850
Assets				
Market Value	\$	4,610,668	\$	17,244,204
Actuarial Value		4,610,668		17,244,204
Present Value of Future Employee Contributions	\$	47,978,078	\$	41,789,094
Present Value of Future Employer Normal Costs	\$ 2	2,409,315,777	\$2	2,469,152,552
Alternative Contribution Patterns (Contributions	in Doll	ars)		
Alternative 1:				
Recommended Employer Contribution*	\$ 1	94,927,817	\$ 20	00,115,730
Alternative 2:				
Recommended Employer Contribution**	\$ 1	76,431,889	\$ 18	31,160,445
Recommended Employer Contribution.	φ 1	10,431,007	φ 10	31,100,443

^{*} For the June 30, 2005 valuation, the recommended contribution for fiscal year 2006-2007 is a level dollar contribution amount paid over thirty (30) years by the State for benefits plus expenses paid from the fund.

^{**} For the June 30, 2005 valuation, the recommended contribution for fiscal year 2006-2007 is an increasing dollar contribution amount paid [increasing at one percent (1%) per year] over thirty (30) years by the State for benefits plus expenses paid from the fund.

Supporting Exhibits

Summary of Liabilities and Recommended Employer Contributions

Summary of Assets

Summary of Member Data

Summary of Liabilities and Recommended Employer Contributions

Development of June 30, 2005 Normal Cost \Re_{τ}

Alternative Recommended Employer Contributions for Fiscal Year 2006-2007

Development of June 30, 2005 Normal Cost & Alternative Recommended Employer Contributions For Fiscal Year 2006-2007

A. Alternative 1*:

1. Present Value of Benefits as of Valuation Date

	a. Active Membersb. Deferred Vested Terminated Members & QDRO'sc. Receiving Benefitsd. Total	\$ \$	1,059,570,665 77,418,104 1,391,197,081 2,528,185,850
2.	Present Value of Future Employee Contributions as of the Valuation Date	\$	41,789,094
3.	Actuarial Value of Assets as of the Valuation Date	\$	17,244,204
4.	Present Value of Required Future Employer Contributions as of the Valuation Date $[(1d) - (2) - (3)$, but not less than zero]	\$	2,469,152,552
5.	Amortization Factor**		13.27767
6.	Employer Normal Cost For Benefits [(4) / (5)]	\$	185,962,790
7.	Administrative Expenses	\$	1,061,257
8.	Total Employer Normal Cost [(6)+(7)]	\$	187,024,047
9.	Total Recommended Employer Contribution for Fiscal Year 2006-2007 [(8) x 1.070]	\$	200,115,730

^{*} The contribution pattern for benefits under Alternative 1 produces a level dollar amount each year over thirty (30) years.

^{**} A level dollar amortization factor over 30 years has been used here.

B. Alternative 2*:

1. Present Value of Benefits as of Valuation Date

	a. Active Membersb. Deferred Vested Terminated Members & QDRO'sc. Receiving Benefitsd. Total	\$ 1,059,570,665 77,418,104 1,391,197,081 2,528,185,850
2.	Present Value of Future Employee Contributions as of the Valuation Date	\$ 41,789,094
3.	Actuarial Value of Assets as of the Valuation Date	\$ 17,244,204
4.	Present Value of Required Future Employer as of the Valuation Date $[(1d)-(2)-(3), \text{but not less than zero}]$	\$ 2,469,152,552
	8. Amortization Factor**	14.67571
6.	Employer Normal Cost for Benefits [(4) / (5)]	\$ 168,247,570
7.	Administrative Expenses	\$ 1,061,257
8.	Total Employer Normal Cost [(6)+(7)]	\$ 169,308,827
9.	Total Recommended Employer Contribution for Fiscal Year 2006-2007 [(8) x 1.070]	\$ 181,160,445

^{*} The contribution pattern for benefits under Alternative 2 produces an increasing dollar amount each year [increasing at one percent (1%) per year] over thirty (30) years.

^{**}An increasing dollar amortization factor over 30 years [increasing at one percent (1%) per year] has been used here.

Summary of Assets

Summary of Assets as of June 30, 2005

Reconciliation of Assets from the Prior Fiscal Year

Summary of Assets as of June 30, 2005

Cash & Equivalents	\$ 3,756
Contributions Receivable	12,007,230
Retirement Benefits in Process of Payment	(131,397)
Accrued Interest Receivable	89,740
Investments Short Term Domestic Securities	5,195,247
Due from Other Funds	114,539
Other Program Liabilities	 (34,911)
Total Assets (Market Value)*	\$ 17,244,204

^{*}Market value equals Book value. This information was received from the CalPERS Fiscal Services Division.

Reconciliation of Assets from the Prior Fiscal Year

Beginning Balance as of 6/30/2004	\$ 4,610,668
Contributions	22,454,996
Other Income	2,663,340
Transfer from General Fund	115,040,000
Administrative Costs	(1,061,257)
Contribution Refund	(88,239)
Investment Earnings Credited	233,483
Benefit Payments	(126,608,787)
Ending Balance as of 6/30/2005*	\$ 17,244,204

^{*} As of June 30, 2005, assets of the fund are invested in short term domestic securities, with the cost and market values of the fund the same value. This information was received from the CalPERS Fiscal Services Division.

Summary of Member Data

Reconciliation of Members for the Fiscal Year Ending June 30, 2005

Distribution of Active Members by Age & Service

Distribution of Average Annual Payroll by Age & Service

Distribution of Terminated Vested Members and QDRO's Not Receiving Benefits by Age & Service

Distribution of Retired Judges, Beneficiaries & QDRO's Receiving Benefits by Age

Distribution of Annual Benefits for Retired Judges, Beneficiaries & QDRO's by Age

Reconciliation of Members For the Fiscal Year Ending June 30, 2005

							QDRO*		<u></u>	
		Active <u>Judges</u>	Vested Terminated <u>Judges</u>	Disabled Judg es	Retired <u>Judges</u>	Benefi - <u>ciaries</u>	Receiving <u>Benefits</u>	Not Receiving <u>Benefits</u>	Total <u>Participants</u>	
<u>Ju</u>	ne 30, 2004	888	91	50	976	463	78	22	2,568	
1.	New Entrants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	
2.	Rehires	0	0	0	0	N/A	N/A	N/A	0	
3.	Disability Retirements	(4)	N/A	4	0	N/A	N/A	N/A	0	
4.	Service Retirements	(58)	(14)	N/A	72	N/A	0	0	0	
5.	Vested Terminations	(7)	7	N/A	N/A	N/A	N/A	N/A	0	
6.	Termination with Refund	0	0	0	0	0	0	0	0	
7.	Died, With Beneficiaries' Benefit Payable	(4)	(1)	(3)	(33)	43	0	N/A	2	
8.	Divorce Settlements	0	0	0	0	0	5	(4)	1	
9.	Died, Without Beneficiary; and Other Terminations									
10		0	0	0	(12)	N/A	(3)	0	(15)	
10.	Beneficiary Deaths	N/A	N/A	N/A	N/A	(20)	N/A	N/A	(20)	
11.	Data Corrections	0	0	0	0	0	0	0	0	
<u>Ju</u>	ne 30, 2005	815	83	51	1003	486	80	18	2,536	

^{*} Qualified Domestic Relations Order

Distribution of Active Members By Age & Service As of June 30, 2005

								Total
Attained		Years		Valuation				
Age	0-4	5-9	10-14	15-19	20-29	30+	No.	Payroll
15-19	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	0	1	0	0	0	1	149,160
45-49	0	0	13	1	0	0	14	2,109,774
50-54	0	0	68	52	4	0	124	18,646,578
55-59	1	1	82	132	72	0	288	43,593,943
60-64	0	0	46	104	63	1	214	32,481,344
65+	1	0	40	71	52	10	174	26,685,918
Total	2	1	250	360	191	11	815	\$123,666,717

Distribution of Average Annual Payroll by Age & Service As of June 30, 2005

Attained	Years of Service at Valuation Date						Average			
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Payroll	
15-19	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
20-24	0	0	0	0	0	0	0	0	0	
25-29	0	0	0	0	0	0	0	0	0	
30-34	0	0	0	0	0	0	0	0	0	
35-39	0	0	0	0	0	0	0	0	0	
40-44	0	0	149,160	0	0	0	0	0	149,160	
45-49	0	0	150,816	149,160	0	0	0	0	150,698	
50-54	0	0	149,477	151,231	154,544	0	0	0	150,376	
55-59	149,160	149,160	149,685	150,878	154,129	155,313	0	0	151,368	
60-64	0	0	149,628	151,656	152,236	158,389	149,160	0	151,782	
65+	149,160	0	153,751	150,533	155,142	155,889	161,821	162,080	153,367	
All Ages	\$ 149,160	\$ 149,160	\$ 150,325	\$151,081	\$153,774	\$ 156,726	\$ 159,711	\$162,08 0	\$151,73 8	

Distribution of Terminated Vested Members & QDRO's Not Receiving Benefits by Age & Service As of June 30, 2005

Attained	Years of Service at Valuation Date							
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
15-19	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	0	1	0	0	0	0	1
45-49	0	0	0	1	1	0	0	2
50-54	0	0	4	7	3	0	0	14
55-59	0	0	7	20	17	3	0	47
60-64	0	2	5	11	8	3	0	29
65+	0	0	3	5	0	0	0	8
Totals	0	2	20	44	29	6	0	101

Distribution of Retired Judges, Beneficiaries & QDRO's Receiving Benefits by Age As of June 30, 2005

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	0	3	3
30-34	0	0	0
35-39	0	2	2
40-44	0	0	0
45-49	0	5	5
50-54	1	6	7
55-59	7	23	30
60-64	113	44	157
65-69	172	59	231
70-74	237	72	309
75-79	232	101	333
80-84	173	112	285
85+	119	139	258
Total	1,054	566	1,620

Distribution of Annual Benefits For Retirees, Beneficiaries & QDRO's By Age As of June 30, 2005

Attained	ained Service & Disability Beneficiaries &		
Age	Retired Judges	QDRO's	Total
Under 30	\$ 0	\$ 37,164	\$ 37,164
30-34	0	0	0
35-39	0	93,225	93,225
40-44	0	0	0
45-49	0	191,715	191,715
50-54	96,954	290,862	387,816
55-59	689,109	1,032,557	1,721,666
60-64	11,244,760	2,203,630	13,448,390
65-69	17,083,491	2,722,475	19,805,966
70-74	22,834,654	3,290,175	26,124,829
75-79	22,617,707	4,890,504	27,508,211
80-84	16,777,710	5,424,256	22,201,966
85+	12,059,066	7,035,402	19,094,468
Total	\$ 103,403,451	\$ 27,211,965	\$ 130,615,416

Appendix A

Statement of Actuarial Methods and Assumptions

Actuarial Funding Method

The method used to determine the recommended employer contribution was the "Aggregate" actuarial cost method.

Under this funding method the actuarial present value of projected pension, termination, death and disability benefits for members and beneficiaries are determined as of the valuation date using the actuarial assumptions set forth below. The recommended employer contribution is determined as the amount needed to amortize the difference between the total present value of all benefits and the sum of (i) the actuarial value of assets and (ii) the present value of future member contributions as of the valuation date.

Amortization Period

The recommended employer contribution has been determined using a thirty (30) year amortization period.

Asset Valuation Method

As of June 30, 2005 the actuarial value of assets equals the market value of the fund plus accrued interest.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2005 actuarial valuation are shown below.

Economic Assumptions:

Investment Return 7.00% per annum, compounded annually.

(Assumes the System is being prefunded.)

Salary Increases 3.25% per annum compounded annually.

Inflation 3.00% per annum compounded annually.

Cost-of-Living Adjustment Benefits are fully adjusted for increases

in wages for the active judges of the same court

from which the member retired.

ESIP Interest Crediting Rate:

Based on the rate for 30-year U.S. Treasuries, or their equivalent, for the month of June of the valuation year. This rate for June 2005 equals 4.29%.

<u>Demographic Assumptions</u>:

(a) Assumed rates of decrement for disability, retirement and termination.

The following decrements apply to all members.

Probability of Termination from Active Service

	Non-vested		Vested		
<u>Age</u>	Withdrawal	Disability	Termination		
40	0.012	0.0008	0.0030		
45	0.010	0.0014	0.0043		
50	0.012	0.0024	0.0085		
55	0.015	0.0041	0.0150		
60	0.000	0.0064	0.0180		
65	0.000	0.0092	0.0250		
70	0.000	0.0000	0.0000		

Probability of Service Retirement

Age	Rate	<u>Age</u>	Rate
60	.30	66	.40
61	.60	67	.40
62	.70	68	.45
63	.60	69	.50
64	.60	70	.75
65	.50	71-79	.50
		80	1.00

(b) Mortality

Mortality for active and retired members and beneficiaries is in accordance with the 1994 Group Annuity Mortality Table. Mortality for disabled members is based on the PBGC Mortality Table for disabled lives not receiving Social Security Benefits to age 64, and on the 1994 Group Annuity Mortality Table at age 65 and after.

(c) Proportion of members with spouses and form of payment

90% of non-retired members are assumed to be married; wives assumed to be three years younger than their husbands. For retired members receiving some form of joint and survivor annuity, the spouse's actual date of birth was used in the valuation if such information was furnished. Otherwise, wives were assumed to be three years younger than their husbands for members receiving a joint and survivor form of annuity.

For retired members not receiving a joint and survivor form of annuity and for whom no optional form of payment was elected, the assumed form of payment was a life annuity.

(d) Administrative Expense - The administrative expense for the year is set equal to the amount of administrative expenses paid from the System's fund during the fiscal year ending on the valuation date.

Changes in Actuarial Assumptions

The actuarial assumptions used in the June 30, 2005 valuation are the same as used in the prior valuation. However, the administrative expense loading increased from \$719,312 for the prior year to \$1,061,257 for the current year. Further, the interest crediting rate for the Extended Service Incentive Program (ESIP), which is based on the rate for 30 year U.S. Treasuries or their equivalent for the month of June of the valuation year decreased from 5.41% as of June 2004 to 4.29% as of June 2005.

Appendix B

Summary of Principal Plan Provisions

SUMMARY OF PRINCIPAL BENEFIT PROVISIONS

1. Eligibility of Membership

All Supreme Court, District Court of Appeal, Superior Court, and Municipal Court Judges and Justices were immediately eligible for membership, if elected or appointed before November 9, 1994.

2. Member Contributions

8% of pay. Withdrawal of contributions results in forfeiture of all other benefits.

3. Service Retirement

Eligibility – A member who has met the age and service qualifications in one of the
following subdivisions shall be eligible for Service Retirement upon specifying the
date upon which his or her retirement is to be effective.

Age at Retirement	Service Qualifications	Pre-Retirement Time Limit for Accrual of Service
70 or older	20 years	*
70 or older	10 years	15 years
69	12 years	16 years
68	14 years	18 years
67	16 years	20 years
66	18 years	22 years
65	20 years	24 years
60	20 years	No Limit

- * At least 5 years service must immediately precede retirement.
- Benefit Members retiring after age 60 with at least 20 years service receive 75% of pay of the last judicial office held. With less than 20 years of service, the benefit percentage is 65%.
- Form of Payment Unreduced 50% contingent annuity with spouse as contingent annuitant. For post-January 1, 1980 judges, there is a one year marriage requirement at benefit commencement.

4. Termination Benefit

- Eligibility Completion of 5 years of service.
- Benefit 3.75% of pay of last judicial office held multiplied by years of service to a maximum of 20 years. Benefit percentage is reduced by 0.25% for each year of service less than 12 years. Benefit begins at the earliest age that member would have been eligible for service retirement had he remained in service; and, the member is at least age 63, or age 60 with 20 years of service.
- Minimum benefit for pre-January 1, 1974 judges 5% of pay of last judicial office held multiplied by years of service, to a maximum of 8 years. Benefit is payable at age 65.
- Form of Payment 50% contingent annuity with spouse as contingent annuitant. Minimum benefit is paid as life annuity only.

5. Disability Retirement

- Eligibility 4 years of service (no service requirement is necessary for a work-related disability), 2 years of service for pre-January 1, 1989 judges. No service requirement for pre-January 1, 1980 judges.
- Benefit With 20 years of service, 75% of pay of last judicial office held, payable immediately. With less than 20 years of service, the benefit is 65% of pay.

6. Pre-retirement Death Benefits

- Spouse's Benefit 25% of pay of last judicial office held, payable for spouse's lifetime if not eligible for retirement. If a member dies after being eligible to retire, the surviving spouse will receive a monthly allowance equal to 50% of the monthly allowance the member would have received, had he/she retired, for life.
- Contributory Benefit After 10 years of service, spouse or minor child receives 1.625% of pay of last judicial office held multiplied by years of service, to a maximum of 20 years. Spouse's benefit is payable for life. Child's benefit ceases at age 18, or at age 22 if a full-time student. Requires \$2 monthly contribution.
- Benefit with No Spouse or Children Refund of accumulated member contributions plus one month's pay multiplied by years of service, to a maximum of 6 years.

7. Post-Retirement Adjustments

 The retirement allowances of retired judges, beneficiaries and individuals receiving benefits under domestic relation orders will increase proportionately according to increases in judicial salary increases for the judicial office last held by the member.

8. Extended Service Incentive Program (ESIP)

- Eligibility An active member shall automatically participate in the program if he/she has 20 or more years of creditable service and has attained the age of 60 or more on or after January 1, 2001.
- Vesting 36 months of creditable service after the later of January 1, 2001 or the date
 the judge first becomes eligible to participate in the program. However, the 36 months
 of creditable service requirement is waived in the event of the member's death,
 disability, or because he/she was unsuccessful in his/her efforts to be reelected or
 retained in office.
- Benefit For the first 60 months of participation in the program, 20% of the judge's monthly salaries and 8% of the judge's monthly salaries for the 61st to the 120th months of participation plus interest based on 30-year U.S. Treasury Bonds shall be credited to the judge. The benefit shall be paid in the form of a single, lump sum payment.

SUMMARY OF PLAN CHANGES SINCE THE PRIOR VALUATION

There have been no significant changes in the plan provisions for the Judges' Retirement System since the prior valuation.

Appendix C

Summary of 10 Year Projections of Contributions & Payouts

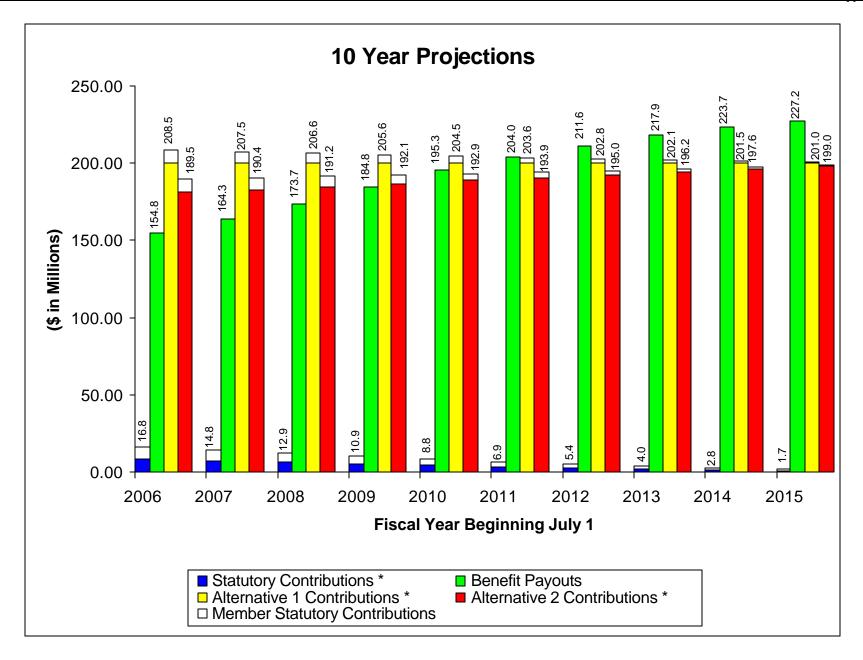
10 Year Projections of Expected State Statuary Contributions, Future Benefit Payouts, and Recommended Employer Contributions Under the Alternative Funding Approaches

Fiscal Years Beginning July 1	State Statutory <u>Contributions *</u>	Future Benefit <u>Payouts</u>	Alternative 1 Contributions **	Alternative 2 Contributions ***
2006	\$ 8,380,277	\$154,832,079	\$ 200,115,730	\$ 181,160,445
2007	7,411,307	164,349,205	200,115,730	182,972,049
2008	6,437,382	173,744,917	200,115,730	184,801,770
2009	5,436,581	184,829,543	200,115,730	186,649,788
2010	4,404,825	195,321,762	200,115,730	188,516,286
2011	3,466,627	203,981,254	200,115,730	190,401,448
2012	2,691,803	211,572,453	200,115,730	192,305,463
2013	2,009,461	217,942,637	200,115,730	194,228,517
2014	1,383,909	223,671,958	200,115,730	196,170,803
2015	866,155	227,208,532	200,115,730	198,132,511

^{*} Statutory state contributions equal eight percent (8%) of pay. Statutory member contributions are equal to the amount of statutory contributions shown for the State.

^{**} Alternative 1 develops a recommended level dollar contribution amount over a period of 30 years.

^{***} Alternative 2 develops recommended dollar contributions that increase at one percent (1%) per year for contribution period of 30 years.



Appendix D

Development of Annual Required Contribution According to GASB 27

Development of Annual Required Contribution According to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)

1	Present	Value	of Rer	efite ac	of V	aluation.	Date
1.	. I I CSCIII	v anuc	o	icilio ao	OI V	anuation	Date

a. Active Membersb. Deferred Vested Terminated Members & QDRO'sc. Receiving Benefitsd. Total	\$ \$ \$	1,059,570,665 77,418,104 1,391,197,081 2,528,185,850
2. Present Value of Future Employee Contributions as of the Valuation Date	\$	41,789,094
3. Actuarial Value of Assets as of the Valuation Date	\$	17,244,204
4. Present Value of Required Future Employer Contributions as of the Valuation Date [(1d) – (2) – (3), but not less than zero]	\$	2,469,152,552
5. Average Future Service of Active Members (in years)	·	4.72
6. Employer Normal Cost For Benefits [(4) / (5)]	\$	523,125,541
7. Administrative Expenses	\$	1,061,257
8. Total Employer Normal Cost [(6)+(7)]	\$	524,186,798
9. Total Annual Required Contribution (ARC) for the Employer for Fiscal Year 2006-2007 [(8) x 1.070]	\$	560,879,874

Appendix E

Report to Legislature on the Extended Service Incentive Program

Report to Legislature on the Extended Service Incentive Program

The Extended Service Incentive Program (ESIP) was created to provide an incentive to judges who are eligible to receive the maximum retirement benefit to remain in public service. As part of the law change, which added ESIP to the Judges' Retirement System (System), the board was to conduct an actuarial valuation and determine the cost of the program and report the results to the Legislature.

The June 30, 2005 actuarial valuation of the Judges' Retirement System is used for establishing the recommended employer contribution for the System for the fiscal year July 1, 2006 through June 30, 2007. The ESIP benefits are included in the 2005 valuation results shown earlier in this annual valuation report as follows:

- 1. \$11.388 million of the \$2.528 billion present value of benefits is attributable to ESIP benefits.
- 2. Approximately \$918,000 of the \$200,115,730 Alternative 1 recommended employer contribution for fiscal year 2006/2007 is attributable to ESIP benefits.
- 3. Approximately \$830,000 of the \$181,160,445 Alternative 2 recommended employer contribution for fiscal year 2006/2007 is attributable to ESIP benefits.